

Presentation to Colorado Secure Savings Plan Board

Study A and Study B

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Agenda

- Introduction
- Study A: Colorado Secure Savings Plan
 - Summary
 - Scope of work
- Study B: Colorado Small Business Marketplace
 - Summary
 - Scope of work
- Steps forward

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The CRR team shares the Board's goal of improving retirement security.



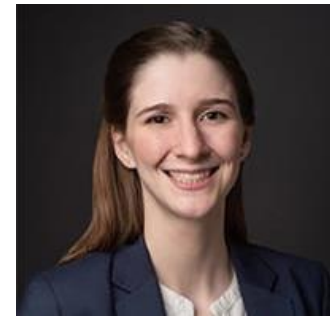
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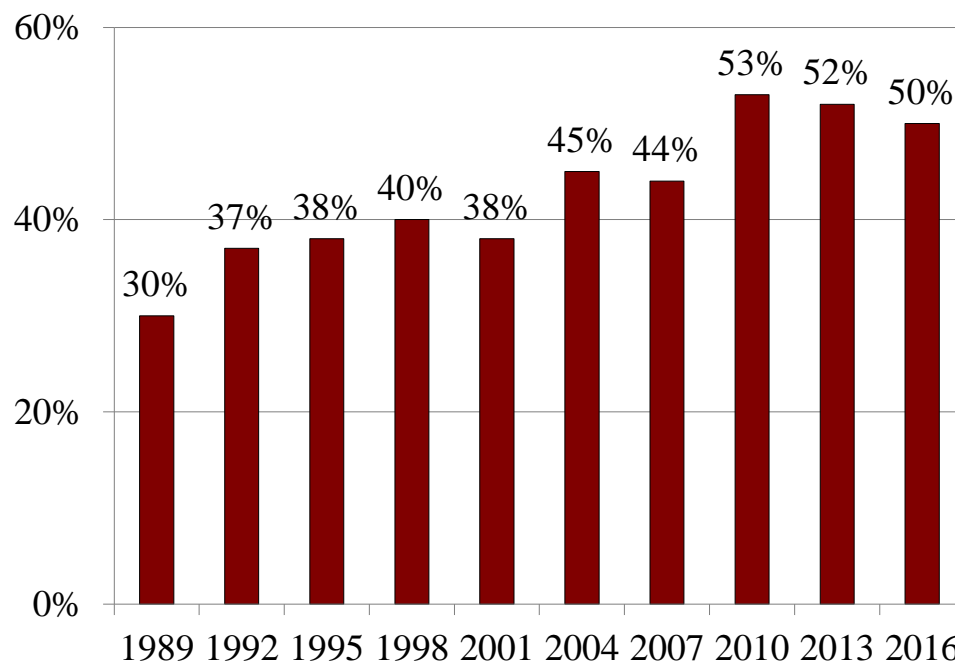


Alicia Munnell

“The mission of the Center for Retirement Research (CRR) is to produce first-class research and forge a strong link between the academic community and decision-makers in the public and private sectors.”

State initiatives like Colorado's can help close a large retirement savings gap.

The National Retirement Risk Index, 1989-2016



Source: Alicia H. Munnell, Wenliang Hou, and Geoff Sanzenbacher. 2019. "How Would More Saving Affect the National Retirement Risk Index?." Center for Retirement Research at Boston College.

Our team will evaluate two options to expand retirement coverage in Colorado:

Study A: Colorado Secure Savings Plan (Auto-IRA)

Study B: Colorado Small Business Marketplace

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For an Auto-IRA program to succeed, several conditions must be met.

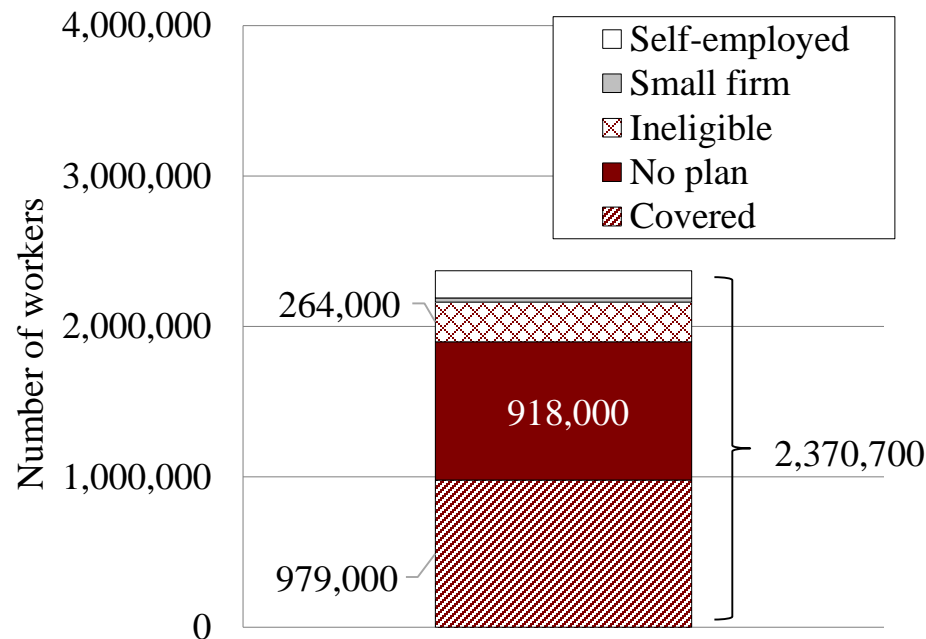
- Employers must sign up, send data on their employees, and make payroll deductions.
- Workers must not opt out and must save enough money to:
 - significantly improve their retirement security; and
 - generate sufficient revenue for an administrator.
- The program must cover the state's costs and be profitable for a program administrator within a reasonable period.

Study A will evaluate whether Colorado Secure Savings would meet these conditions under the parameters outlined in the RFP:

- Affects employers with 5+ employees and 2+ years.
- Auto-enrolls employees to save 5 percent of their pay.
- Uses an all-in fee structure to generate revenue:
 - 100 bps maximum first 5 years of program; then
 - 75 bps maximum from year 6+.
- Reimburses costs for employers with fewer than 50 employees.

Colorado Secure Savings – as drafted – *could* expand coverage to over 900,000 employees...

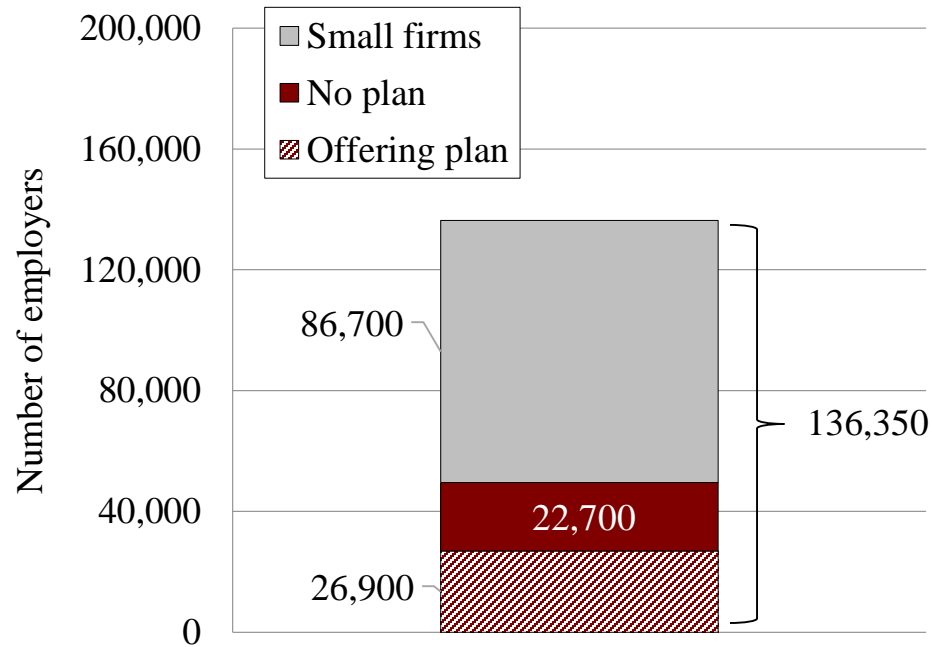
Number of Private Sector Workers in Colorado, 2019



Sources: Authors' calculations from the *Current Employment Statistics* (2019); *Current Population Survey* (2014; 2018); and the *Business Dynamics Statistics* (2016).

... by requiring 23,000 employers to offer a plan or participate.

Number of Private Sector Employers in Colorado, 2019



The study will examine, in detail, the effect of the program on these uncovered employees and their employers.

- Employer analysis:
 - How many and what types of employers are eligible to participate?
 - What is the administrative burden on small employers?
- Employee analysis:
 - Who will gain coverage?
 - How will employees respond?
 - How will participation impact employee savings?

To evaluate financial outcomes, the study will rely on three metrics:

1. Years to Positive Cash-flow: When does the program cover the ongoing costs of the State and of a private-sector program administrator?
2. Years to Net Positive: When can the program repay losses that occur at startup (both from fixed startup costs and operating losses) for both the State and the administrator?
3. Largest Cumulative Loss: How large are the start-up costs and the initial operating losses for the State and administrator?

A draft report of the CRR's findings will be delivered to the Board in two months.

- Preliminary findings presentation (December 6, 2019)
- Draft Report (December 20, 2019)
 - Market analysis
 - Financial feasibility analysis
- Final Report (February 7, 2020)
 - Market analysis
 - Financial feasibility analysis

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Marketplaces are designed to help employers easily find a “good” retirement plan.

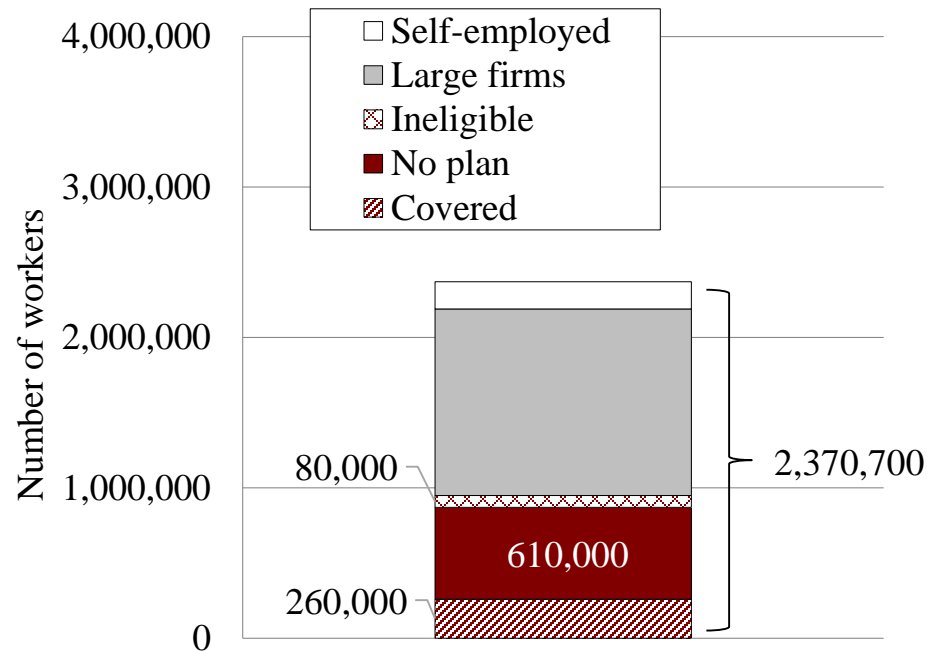
- Plans are offered with no fee to employers, with the option to provide an employer match.
- Plans impose a reasonable cost to employees.
- Plans are typically designed with “best practices” in mind, for example:
 - employee auto-enrollment;
 - default contribution rates of 5 percent; and
 - target date funds as the default investment.

The CRR will evaluate outcomes for a Colorado Small Business Marketplace with the parameters outlined in the RFP:

- Participation is voluntary for employers and automatically enrolled employees can opt out;
- The program is open to all employers with fewer than 100 employees;
- Firms must offer at least one target date fund and one balanced fund; and
- Fees charged to employees are capped at 100 bps.

In theory, a CO marketplace *could* expand coverage to 600,000 employees...

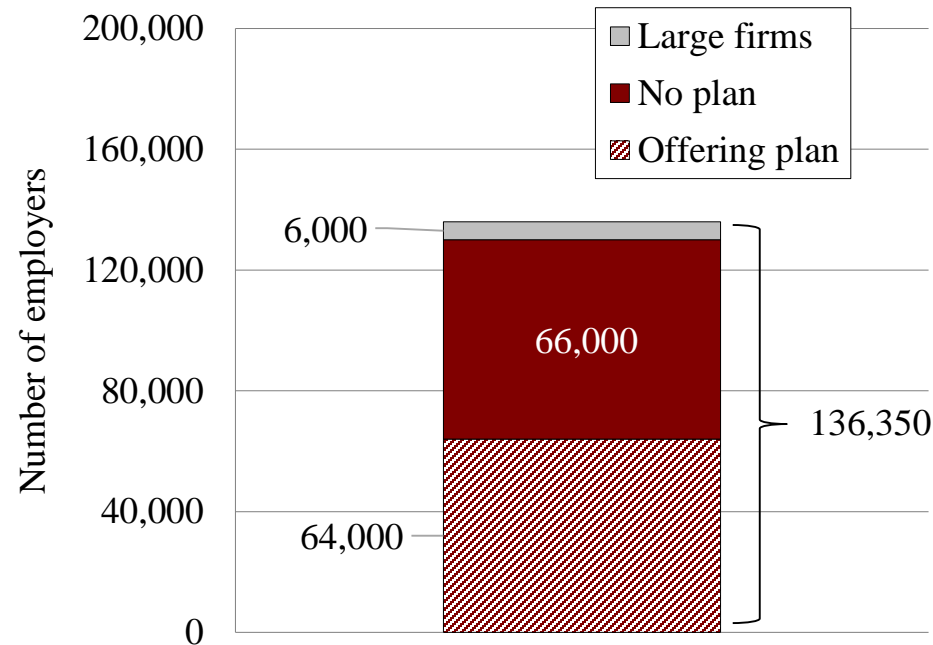
Number of Private Sector Workers in Colorado, 2019



Note: All public sector workers who claim to not be covered by a retirement plan are assumed to work for an employer that offers one.
Sources: Authors' calculations from the *Current Employment Statistics* (2019); *Current Population Survey* (2014; 2018).

... if the voluntary participation of 66,000 employers could be secured.

Number of Private Sector Employers in Colorado, 2019



But the key question is, in practice, how many employers will sign up?

- To estimate employer participation, the marketplace analysis will examine data on all voluntary retirement savings programs to date:
 - Washington State Marketplace;
 - My Retirement Account (MyRA); and
 - Federal plans for small employers (SIMPLE/SEPs).

A draft report of the CRR's findings will be delivered to the Board in two months.

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- Draft Report (December 20, 2019)
- Final Report (February 7, 2020)

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Complete reports will be delivered to the Board in 15 weeks.

Milestone	Date
Kick-off meeting	10/23/2019
Progress call	11/15/2019
Presentation	12/6/2019
Draft reports (2) to Board	12/20/2019
Final reports (2) to Board	2/7/2020

In addition to these milestones, we would like to stay connected.

- CRR is available to answer questions via ad hoc calls or e-mails in between project milestones.
- CRR is available for two in-person trips to Denver between project start and end dates as requested by Board.
- Primary point of contacts

To move forward today, the CRR has two immediate questions.

1. What data does CO have that could make our results better?

- Employer:
 - Data by firm size and firm age
 - Data on in-house versus external vendor payroll
- Employees
 - Data on self-employed

2. Are there additional elements not addressed today that the Board would like us to consider in our analyses?